

## **NEW ISSUE**

*In the opinion of Edwards Angell Palmer & Dodge LLP, Bond Counsel to the State of Maine, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986. Interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Under existing law, interest on the Notes is excluded from gross income for State income tax purposes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Notes. See "TAX MATTERS" herein.*

# **\$16,750,000**

## **State of Maine**

### **General Obligation Bond Anticipation Notes**

**Dated:** Date of Delivery

**Due:** June 10, 2008

The Notes will be issued by the State of Maine (the "State") in fully registered form only, without coupons, and when issued will be registered in the name of Cede & Co., as the nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository (the "Securities Depository") of the Notes. Individual purchases will be made in book-entry form only in the principal amount of \$5,000 or any whole multiple thereof. Purchasers of the Notes will not receive certificates representing their interests in the Notes purchased.

The Notes will be general obligations of the State and the full faith and credit of the State are pledged to the punctual payment of principal of and interest on the Notes, as more fully described herein. The Notes will be issued to finance the carrying out of certain public purposes in the State.

The Notes will bear interest from the date of their delivery until maturity on June 10, 2008, at which time the principal of and interest on the Notes will be payable by the State, as Paying Agent, to the Securities Depository, which will in turn remit such principal and interest to its Participants (as defined herein), which will in turn remit such principal and interest to the Beneficial Owners (as defined herein) of the Notes, as described herein.

The Notes are not subject to redemption prior to maturity.

Set forth immediately below is certain information with respect to the Notes.

<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP No.</u>
\$16,750,000	3.25%	2.58%	56052ATU0

The Notes are offered when, as and if issued by the State and received by the Underwriter subject to the approval of legality by Edwards Angell Palmer & Dodge LLP, Bond Counsel, Boston, Massachusetts. Certain legal matters will be passed upon for the Underwriter by their counsel, Preti, Flaherty, Beliveau & Pachios, LLP, Augusta, Maine. It is expected that the Notes in definitive form will be available for delivery to the Securities Depository in New York, New York on January 23, 2008.

## **UBS Investment Bank**

January 16, 2008

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The Appendices to this Official Statement, listed below (except Appendix K), are included solely for the purpose of modifying or replacing the corresponding Appendices of Appendix K hereto.

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**\$16,750,000**  
**STATE OF MAINE**  
**GENERAL OBLIGATION BOND ANTICIPATION NOTES**

**INTRODUCTION**

This Official Statement, including the cover page hereof and the Appendices hereto, sets forth certain information in connection with the issuance by the State of Maine (the “State” or “Maine”) of its \$16,750,000 General Obligation Bond Anticipation Notes (the “Notes”). The Notes are authorized by, and are being issued pursuant to, Article IX, Section 14, of the Constitution of the State and certain laws of the State which were ratified by voters of the State voting in elections thereon. See Appendix D hereto. The Notes will be general obligations of the State which are expected to be paid from the proceeds of general obligation bonds to be issued by the State.

**DESCRIPTION OF THE NOTES**

**General Description**

The Notes will bear interest at the rates set forth on the cover page hereof from the date of delivery of the Notes. Principal of and interest on the Notes will be payable at maturity on June 10, 2008 from funds made available by the State to The Depository Trust Company, New York, New York (“DTC”). So long as DTC or its nominee is the registered owner of the Notes, disbursement of such payments to DTC is the responsibility of the State, disbursement of such payments to the DTC Participants (hereinafter defined) is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners (hereinafter defined) is the responsibility of the DTC Participants or Indirect Participants (hereinafter defined) as more fully described herein. See Appendix H, “The Depository Trust Company.” Interest on the Notes will be computed on the basis of a 30-day month and a 360-day year.

The Notes are not subject to redemption prior to maturity.

The Notes are general obligations of the State and the full faith and credit of the State are pledged to the punctual payment of principal of and interest on the Notes.

Principal of and interest on the Notes are payable from the General Fund of the State. Article V, Part Third, Section 5 of the Constitution of the State provides that if sufficient funds are not appropriated to pay the principal of and interest on the Notes when due, then the Treasurer of State is obligated to set apart from the first General Fund revenues received an amount sufficient to make payment of principal of and interest on the Notes as such principal and interest become due.

The Notes will be issued to finance the carrying out of certain public purposes in the State. See Appendix D hereto.

## **INFORMATION CONCERNING THE STATE**

Certain information regarding the State is set forth in the Official Statement of the State dated May 23, 2007 relating to issuance of its \$60,975,000 General Obligation Bonds which Official Statement is included as Appendix K hereto. Certain information with respect to revenues of the State is included in Appendix C hereto. Certain information regarding authorized and outstanding debt of the State is included in Appendix D hereto. The information in the Appendices hereto (except Appendix K hereto) supplements or replaces certain of the information in Appendix K hereto.

## **LITIGATION**

There is no controversy or litigation of any nature now pending or, to the knowledge of the Department of the Attorney General, threatened, seeking to restrain or enjoin the issuance, sale, execution or delivery of the Notes, or in any way contesting or affecting the validity of the Notes, or any law or other authorization with respect to the issuance or sale of the Notes, or the payment of the Notes, or the existence or powers of the State, or the title to their respective offices of the present officers of the State who are responsible for the issuance, sale, execution or delivery of the Notes.

The State is a party to numerous lawsuits. Such lawsuits include actions to recover monetary damages from the State, disputes over individual or corporate income taxes, disputes over sales or use taxes, and actions to alter the regulations or administrative practices of the State in such manner as to cause additional costs to the State. The State is not aware of any pending or threatened litigation or claim against the State, the outcome of which will have a material adverse effect on the financial condition of the State.

## **TAX MATTERS**

In the opinion of Edwards Angell Palmer & Dodge LLP, Bond Counsel to the State of Maine (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”). Bond Counsel is of the further opinion that interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on, the Notes.

Bond Counsel is also of the opinion that, under existing law, interest on the Notes is excluded from gross income for State of Maine income tax purposes. Bond Counsel has not opined as to other State of Maine tax consequences arising with respect to the Notes. Bond Counsel has not opined as to the taxability of the Notes or the income therefrom under the laws of any state other than the State of Maine. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix G hereto.

To the extent the issue price of any maturity of the Notes is less than the amount to be paid at maturity of such Notes (excluding amounts stated to be interest and payable at least annually over the term of such Notes), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Notes which is excluded from gross income for federal income tax purposes (in the case of the Notes) and is exempt from Maine personal income taxes. For this purpose, the issue price of a particular maturity of the Notes is the first price at which a substantial amount of such maturity of the Notes is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Notes accrues daily over the term to maturity of such Notes on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Notes to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Notes. Holders of the Notes should consult their own tax advisors with respect to the tax consequences of ownership of Notes with original issue discount, including the treatment of purchasers who do not purchase such Notes in the original offering to the public at the first price at which a substantial amount of such Notes is sold to the public.

Notes purchased, whether at original issuance or otherwise, for an amount greater than the stated principal amount to be paid at maturity of such Notes, or, in some cases, at the earlier redemption date of such Notes ("Premium Notes"), will be treated as having amortizable bond premium for federal income tax purposes and Maine personal income tax purposes. No deduction is allowable for the amortizable bond premium in the case of obligations, such as the Premium Notes, the interest on which is excluded from gross income for federal income tax purposes. However, a holder's basis in a Premium Note will be reduced by the amount of amortizable bond premium properly allocable to such holder. Holders of Premium Notes should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Notes. Failure to comply with these requirements may result in interest on the Notes being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Notes. The State has covenanted to comply with such requirements to ensure that interest on the Notes will not be included in federal gross income. The opinion of Bond Counsel assumes compliance with these covenants.

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Notes may adversely affect the value of, or the tax status of interest on, the Notes. Further, no assurance can be given that pending or future legislation, including amendments to the Code, if enacted into law, or any proposed legislation, including amendments to the Code, or any future judicial, regulatory or administrative interpretation or development with respect to existing law, will not adversely affect the value of, or the tax status of interest on, the Notes. Prospective Noteholders are urged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

Prospective Noteholders should also be aware that the statutory framework on which the exemption from Maine personal income taxes described above is based is similar to that at issue in Department of Revenue of Kentucky v. Davis, 197 S.W.3d 557 (Ky. App. 2006), cert. granted, 75 U.S.L.W. 3621 (May 21, 2007), in which the Kentucky court held that a statute that provided more favorable income tax treatment for holders of bonds issued by Kentucky issuers than for holders of out-of-state municipal bonds violated the commerce clause of the United States Constitution. Should the United States Supreme Court affirm the holding of the Kentucky court, subsequent Maine judicial decisions, or statutory enactments intended to ensure the constitutionality of Maine tax law, could, among other alternatives, adversely affect the Maine tax exemption of outstanding municipal bonds and notes, including the Notes, to the extent constitutionally permissible, or result in the exemption from Maine income tax of interest on non-Maine municipal bonds and notes, either of which could adversely affect the market price of the Notes.

Although Bond Counsel is of the opinion that interest on the Notes is excluded from gross income for federal income tax purposes and that interest on the Notes is exempt from Maine personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Notes may otherwise affect a Noteholder's federal tax liability (in the case of the Notes) or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Noteholder or the Noteholder's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences, and Noteholders should consult with their own tax advisors with respect to such consequences.

## **DOCUMENTS ACCOMPANYING DELIVERY OF THE NOTES**

### **Absence of Litigation**

Upon delivery of the Notes, the State will furnish an opinion of the Department of the Attorney General, dated the date of delivery of the Notes, to the effect that there is no litigation of any nature pending or threatened to restrain or enjoin the issuance or delivery of the Notes or in any way contesting or affecting the validity of the Notes or any of the proceedings taken with respect to the issuance and sale thereof or the levy or collection of any taxes to pay principal of or interest on the Notes. In addition, such opinion will state that, based on consultations with certain officers of the State, there is no litigation of any nature now pending or threatened by or against the State wherein an adverse judgment or ruling could have a material adverse effect on the financial condition of the State or adversely affect the power of the State to levy, collect or enforce the collection of taxes or other revenues for the payment of its Notes which has not been disclosed in this Official Statement.

### **Treasurer's Certificate**

Upon delivery of the Notes, the State will furnish a certificate of the Treasurer of State, dated the date of delivery of the Notes, to the effect that to the best of his knowledge this Official Statement does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements made herein, in light of the circumstances under which they were made, not misleading.

## **Legal Opinion**

The opinion of Edwards Angell Palmer & Dodge LLP (i) approving the authorization and issuance of the Notes and (ii) with respect to the tax status of the Notes will be delivered at the time of delivery of the Notes in substantially the form set forth in Appendix G to this Official Statement.

## **Secondary Market Disclosure**

In order to assist UBS Securities LLC, the underwriter which is purchasing the Notes (the “Underwriter”), in complying with the Municipal Securities Disclosure Rule, 17 CFR §240.15c2-12 (the “Rule”), promulgated by the Securities and Exchange Commission, the State will undertake in the Notes to provide notices of certain events. Such undertaking of the State is summarized in Appendix I hereto.

The State has never failed to comply in all material respects with any previous undertakings with respect to the Rule to provide annual financial information or notices of material events.

## **RATING**

Moody’s Investors Service, Inc., has assigned its rating of “MIG 1” to the Notes. The State has furnished such rating agency with certain information and materials concerning the Notes and the State, some of which is not included in this Official Statement. Generally, such rating agency bases its ratings on such information and materials and also on such investigations, studies and assumptions as it may undertake or establish independently.

The rating is not a recommendation to buy, sell or hold the Notes and such rating should be evaluated independently. Such rating is subject to change or withdrawal at any time and any such change or withdrawal may affect the market price or marketability of the Notes.

## **UNDERWRITING**

The Notes are being purchased by the Underwriter. The Underwriter has agreed to purchase the Notes at a price of \$16,774,922.50, which purchase price reflects an Underwriter’s discount, from the public offering price of the Notes, in the amount of \$17,287.50. The purchase contract relating to the Notes provides that the Underwriter will purchase all of the Notes, if any Notes are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the purchase contract, subject to the approval of certain legal matters by Preti, Flaherty, Beliveau & Pachios, LLP, Augusta, Maine, counsel for the Underwriter. The initial public offering prices of the Notes stated on the cover page hereof may be changed, from time to time, by the Underwriter. The State has been advised by the Underwriter that (i) it presently intends to make a market in the Notes, (ii) it is not, however, obligated to do so, (iii) any market making may be discontinued at any time, and (iv) there can be no assurance that an active public market for the Notes will develop. The Underwriter may offer and sell the Notes to certain dealers (including dealers depositing the Notes into unit investment trusts, certain of which may be sponsored or managed by the Underwriter) and others at a price lower than the public offering price of the Notes stated on the cover page hereof.

## MISCELLANEOUS

Any provisions of the constitution of the State, of all laws and of other documents set forth or referred to in this Official Statement are only summarized, and such summaries do not purport to be complete statements of any of such provisions. Only the actual text of such provisions can be relied upon for completeness and accuracy.

This Official Statement contains certain forward-looking statements that are subject to a variety of risks and uncertainties that could cause actual results to differ from the projected results, including without limitation general economic and business conditions, conditions in the financial markets, the financial condition of the State and various state agencies and authorities, receipt of federal grants, litigation, arbitration, force majeure events and various other factors that are beyond the control of the State and its various agencies and authorities. Because of the inability to predict all factors that may affect future decisions, actions, events or financial circumstances, what actually happens may be different from what is set forth in such forward-looking statements. Forward-looking statements are indicated by use of such words as “may,” “should,” “intends,” “expects,” “believes,” “anticipates,” “estimates” and others.

All estimates and assumptions in this Official Statement have been made on the best information available and are believed to be reliable, but no representations whatsoever are made that such estimates and assumptions are correct. So far as any statements in this Official Statement involve any matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact. The various tables may not add due to rounding of figures.

Neither the office of the State Auditor, nor any other independent accountants, have compiled, examined or performed any procedures with respect to any financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information.

The information, estimates and assumptions and expressions of opinion in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale made pursuant to this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the State or its agencies, authorities or political subdivisions since the date of this Official Statement, except as expressly stated.

Questions regarding this Official Statement or requests for additional information concerning the State should be directed to Barbara Rath, Deputy State Treasurer, 39 State House Station, Augusta, Maine 04333, telephone: 207-624-7477; facsimile: 207-287-2367.

STATE OF MAINE

By: s/David G. Lemoine  
David G. Lemoine  
Treasurer of State

Dated: January 16, 2008



## APPENDIX A

### STATE OF MAINE INFORMATION SUPPLEMENT

***The last paragraph under “FISCAL MANAGEMENT – Revenue Forecasting” on page A-11 of Appendix K hereto is deleted and replaced with the following:***

The Maine Consensus Economic Forecasting Commission met on October 16, 2007 to refine the forecast it released in early 2007, making a number of adjustments to that forecast. The Commission lowered estimates for calendar year 2007 for wage and salary job growth and increased such estimates for both inflation and personal income. The forecast for annual percentage change in wage and salary employment growth for calendar years 2008 and 2009 was reduced from 0.8% to 0.3% and from 0.8% to 0.6%, respectively. The annual percentage change in inflation was adjusted from 2.2% to 2.5% in calendar year 2008 and from 2.1% to 2.5% in calendar year 2009. The annual percentage change in personal income for calendar year 2008 was adjusted from 4.5% to 4.4% and the estimate for calendar year 2009 remained unchanged at 4.5%.

In its December, 2007 report, the Revenue Forecasting Committee projected a decrease of approximately \$37,773,000 in General Fund revenues for fiscal year 2008. The same report projects a decrease of approximately \$57,388,000 for fiscal year 2009. For information about measures to address such revenue decreases, see “State Budgets” herein.

***The next to last paragraph under “FISCAL MANAGEMENT – General Fund Appropriation Limit” on page A-13 of Appendix K hereto is deleted and replaced with the following:***

Public Law 2007, chapter 1, effective February 13, 2007 (“2007 Chapter 1”), as modified by Public Law 2007, chapter 240, effective June 7, 2007 (“2007 Chapter 240”), modified the distribution of the unappropriated surplus of the General Fund for fiscal year 2007. 2007 Chapter 1 requires the transfer of up to \$82,000,000 of the General Fund unappropriated surplus remaining at the close of fiscal year 2007 to the State Department of Health and Human Services Medical Care Payments Account prior to any of the transfers required by 2005 Chapter 519. The funds are to be used specifically for the payment of outstanding settlements to hospitals participating in the State’s Medicaid program (the “MaineCare Program” or “MaineCare”) and to increase interim payment rates for those facilities.

***The last two paragraphs under “FISCAL MANAGEMENT – Citizen Initiated Legislation” on page A-13 of Appendix K hereto are deleted and replaced with the following:***

At the initiative of certain citizens of the State pursuant to the Constitution of the State, Public Law 2007, chapter 469, “An Act to Allow a Tax Credit for College Loan Repayment” (“2007 Chapter 469”) was considered and enacted by the State Legislature and signed into law by the Governor. 2007 Chapter 469 authorizes, subject to certain conditions, a tax credit to reimburse educational loan payments for a State resident who earns certain degrees from certain higher education institutions in the State and who lives, works and pays taxes in the State after earning any such degree. It is currently expected that the General Fund revenue loss attributable

to the tax credit authorized by 2007 Chapter 469 will be approximately \$148,000 in fiscal year 2009, as 2007 Chapter 469 begins to be implemented, approximately \$1,000,000 in fiscal year 2010 and approximately \$9,000,000 for the two fiscal years 2011 and 2012.

*The last three rows of the table and the related footnote in the first paragraph under “STATE BUDGETS” on page A-17 of Appendix K hereto are deleted and replaced with the following:*

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>General Fund</u> <u>Expenditures Authorized</u>	<u>Highway Fund</u> <u>Expenditures Authorized</u>
2007	\$2,978,358,710	\$346,221,340
2008	3,130,497,337	342,759,518
2009	3,188,889,338	344,437,786

*The third, fourth and fifth paragraphs under “STATE BUDGETS” on page A-17 of Appendix K hereto are deleted and replaced with the following:*

Following review of spending requests for fiscal years 2008 and 2009, the Governor proposed a budget for fiscal years 2008 and 2009 to fund the current operational needs of State government. The Governor modified and resubmitted his budget proposal twice and the Legislature, having made its own modifications to the Governor’s proposal, enacted 2007 Chapter 240 which made further adjustments to the fiscal year 2007 budget and established the budget for fiscal years 2008 and 2009. 2007 Chapter 240 includes approximately \$249,000,000 for funding K-12 Education which is required to bring the State’s share of the cost of essential programs and services for public education to the statutorily mandated level of 55%. The 55% requirement arose from certain citizen-initiated legislation which is described below under the heading “Certain Expenditures and Obligations – Education Funding.” 2007 Chapter 240 also includes a school consolidation plan that is expected to reduce the General Fund cost of funding K-12 Education by approximately \$36,000,000 in fiscal years 2008 and 2009.

In order to address a decline in revenues for fiscal years 2008 and 2009 of approximately \$95,000,000 projected in the December, 2007 report of the Revenue Forecasting Committee (see “Fiscal Management – Revenue Forecasting” above), the Governor issued an Executive Order on December 18, 2007 curtailing spending by State agencies in fiscal year 2008 by \$38,000,000 and has prepared a supplemental budget request for fiscal years 2008 and 2009 which is described below. Curtailment is a temporary measure, serving to reduce the rate of spending until a supplemental budget is enacted to address the projected revenue decline. This action maximizes the time available in the current fiscal year to achieve the required spending reductions, thereby softening the impact of cuts to the greatest extent possible. For additional information regarding curtailment of allotments, see “Fiscal Management – Overview of the Budget Process.”

The Governor’s request for supplemental appropriations and allocations was made public on January 10, 2008. This proposal is intended to close the \$95,000,000 revenue shortfall and is expected to balance the budget for the remainder of fiscal year 2008 and for fiscal year 2009. It does so without raising any taxes or fees and does not draw down Maine’s Budget Stabilization Fund. Instead, it relies on an approach that combines continued government streamlining,

including the initiative stemming from Part QQQ of 2007 Chapter 240, and certain reductions in services. It is expected that the Legislature will begin consideration of the Governor's proposals promptly.

The Governor's supplemental budget calls for a merger of the State's natural resource agencies which will generate savings in the current biennium and ensure improved oversight and management of some of the State's most valuable resources. Similarly, the supplemental budget includes streamlining of the administrative structures of both the Department of Professional and Financial Regulation and the Department of Health and Human Services. Each of these initiatives is expected to result in savings and improved administration.

While the supplemental budget does not include any reductions in services to Maine residents who receive Medicaid services, it does reflect certain reductions in services to persons served by the Department of Health and Human Services who are not Medicaid eligible. The budget proposal also balances reductions in provider reimbursement rates with reductions in coverage.

The proposed supplemental budget includes the establishment of a joint prescription drug purchasing collaborative for public employers that is expected to result in lower costs for publicly financed health benefits and lower costs for public employees. It also includes the development of a statewide joint public school purchasing initiative that builds off a pilot program currently in place. This initiative will allow individual school administrative units to take advantage of the enhanced purchasing power of the State.

Finally, the supplemental budget is crafted to complement a separate Governor's bill calling for the unification of Maine's state and county corrections systems. A unified system offers savings at all levels of government and will improve the mental health, substance abuse and women's services the State is responsible for providing to persons incarcerated in Maine.

***The first three paragraphs under "CERTAIN EXPENDITURES AND OBLIGATIONS – General Fund Expenditures" on page A-18 of Appendix K hereto are deleted and replaced with the following:***

Total General Fund expenditures for fiscal year 2006 were approximately 15.8% greater, on a budgetary basis, than those for fiscal year 2002. Total General Fund expenditures for fiscal years 2006 and 2007 were approximately 7.7% greater, on a budgetary basis, than those for fiscal years 2004 and 2005. It is expected that total General Fund expenditures for fiscal years 2008 and 2009 will be approximately 8% greater, on a budgetary basis, than those for fiscal years 2006 and 2007.

The following table sets forth, by certain major categories, expenditures which have been budgeted in each of fiscal years 2007, 2008 and 2009. The following amounts are subject to change upon reconciliation of the budget act and miscellaneous acts with fiscal impact.

	2007	2008	2009
Governmental Support and Operations	\$230,312,728	\$244,258,863	\$246,455,223
Economic Development & Workforce Training	40,465,044	38,843,173	41,237,338
Education	1,421,516,207	1,485,775,384	1,537,054,505
Arts, Heritage & Cultural Enrichment	8,904,371	8,980,524	9,100,641
Natural Resources Development & Protection	71,414,198	74,007,892	75,173,989
Health & Human Services	967,053,559	1,014,713,882	1,017,648,833
Justice & Protection	238,692,603	263,917,619	262,218,809
Total	\$2,978,358,710	\$3,130,497,337	\$3,188,889,338

General Fund expenditures for fiscal years 2008 and 2009 are currently budgeted at approximately \$6,318,700,000, of which approximately 47.8% will be attributable to education, approximately 32.2% will be attributable to health and human services inclusive of Medicaid and approximately 20% will be attributable to other purposes of State government.

***The two sentences before the last sentence in the first paragraph under “CERTAIN EXPENDITURES AND OBLIGATIONS – Education Funding” on page A-19 of Appendix K hereto are deleted and replaced with the following:***

The budget for fiscal years 2006 and 2007, as amended by 2006 Chapter 519, included approximately \$280,000,000 to fund the increase in the State’s share of K-12 Education costs attributable to the Initiated School Finance Act. The budget for fiscal years 2008 and 2009, 2007 Chapter 240, includes approximately \$249,000,000 to fund the increase in the State’s share of K-12 Education costs attributable to the Initiated School Finance Act.

***The following paragraphs are inserted after the first paragraph under “CERTAIN EXPENDITURES AND OBLIGATIONS – Health and Human Services Funding” on page A-20 of Appendix K.***

On December 7, 2007, the U. S. Department of Health and Human Services, Office of Inspector General (“OIG”), issued a final report entitled “Review of Medicaid Targeted Case Management Services Provided by the Maine Bureau of Child and Family Services During Federal Fiscal Year 2002 and 2003” (“OIG Final Report”). The OIG determined that the State had overstated the Federal share of Targeted Case Management Federal costs by \$29,759,384 and recommended to the Centers for Medicare and Medicaid Services (CMS) that the State refund to the Federal Government \$29,759,384. CMS has not taken any action on the OIG Final Report or the recommendation.

The State responded to the OIG Final Report and stated that the findings of the OIG were incorrect, unreliable and without any legal basis. The State noted in its response that the reimbursement rates used were approved by CMS (formerly the Health Care Financing Administration), that the costs incurred were consistent with State Plan approved by CMS and that the methodology for Medicaid reimbursement of Targeted Case Management in 2002 and 2003 is no longer used.

The State has engaged in discussions with CMS regarding the OIG Final Report and intends to vigorously contest any disallowance. The State cannot predict the outcome of this matter.

*The information under “CERTAIN EXPENDITURES AND OBLIGATIONS - Debts of the State” on pages A-20 and A-21 of Appendix K hereto is deleted and replaced with the following:*

### **Debts of the State**

As of June 30, 2007, there were outstanding general obligation bonds of the State in the principal amount of \$448,760,000, including the principal amount of \$398,280,000 to be paid from the General Fund, the principal amount of \$50,460,000 to be paid from the Highway Fund and the principal amount of \$20,000 to be paid from the Self-Liquidating Fund. Debt service requirements to maturity for the outstanding general obligation bonds are set forth in Appendix D herein.

As of the date hereof, there are no outstanding tax anticipation notes of the State. Based upon current cash flow projections, the State expects to borrow for general fund cash flow purposes in fiscal year 2008. The State expects first to use interfund borrowings from the State investment pool to satisfy its cash flow needs and second to borrow externally, if necessary. The amount to be borrowed externally is not currently expected to exceed \$120,000,000. If external borrowing is required, a combination of tax anticipation notes and a proposed line of credit with a bank could be used. The timing and amount of any such borrowings will depend upon the actual cash flow needs of the State.

As of the date hereof, there are outstanding bond anticipation notes of the State in the aggregate principal amount of \$71,213,571. Following the issuance of the Notes and application of other available funds, if any, there will be authorized by the voters of the State for certain purposes, but unissued, bonds and notes in the aggregate principal amount of \$211,182,000. As of the date hereof, the aggregate principal amount of bonds of the State authorized by the Constitution and implementing legislation for certain purposes, but unissued, is \$99,000,000. See “Fiscal Management – Constitutional Debt Limit” and “Certain Public Instrumentalities – Finance Authority of Maine” and “– Maine State Housing Authority” herein.

Public Laws 2007, Chapter 39, effective April 10, 2007 (the “Bond Act”), authorizes the Treasurer of State, under the direction of the Governor, to issue general obligation bonds of the State not exceeding certain amounts and for certain purposes, provided that a majority of the voters of the State voting in elections held and to be held have approved such amounts and purposes. An election will be held in June, 2008 pursuant to the Bond Act so that voters may vote on the amount of \$29,725,000 for the purpose of natural resource, agricultural and transportation infrastructure.

In addition to the Notes and the external cash flow borrowing expected to be issued as described above, the State expects during the fiscal year ending June 30, 2008 to issue bonds to pay the principal of the Notes and any other bond anticipation notes of the State which may be issued during the fiscal year ending June 30, 2008.

For additional information concerning long-term debts of the State, see Appendix D hereto.

***The last paragraph under “CERTAIN EXPENDITURES AND OBLIGATIONS - Post-Employment Health Care Benefits” on page A-23 of Appendix K hereto is deleted and replaced with the following:***

An actuarial study was completed to determine the actuarial accrued liability as of June 30, 2006. The study determined the liability if funded at transition of \$3.2 billion, or \$4.8 billion if not funded at transition. GASB 45 does not mandate the prefunding of postemployment benefit liabilities; however any prefunding of these benefits will help minimize the obligation required to be reported on the financial statements. The study projected the amount of State contributions for these benefits (assuming a constant number of employees) would increase from \$116 million in fiscal year 2007 to \$296 million in fiscal year 2016. The study also projected the fiscal year 2007 annual required contribution (ARC) (as if GASB 45 had been in effect for fiscal year 2007) necessary to amortize these unfunded liabilities (on a 30 year basis) to be as high as \$275 million. As this amount is significantly above the pay-as-you-go amounts that the State has been funding for these benefits, the State has decided to fund the ARC on a graduated basis over a ten year period to attain full funding of the annual ARC at that time. The cumulative difference between the ARC and actual contributions will appear as a net OPEB obligation. The Legislature authorized the creation of an irrevocable trust fund to be established in fiscal year 2008 to help meet the State’s unfunded liability obligations for retiree health benefits for eligible participants. The State plans to make an initial funding of this trust fund of approximately \$80 million in fiscal year 2008 and expects to deposit an additional \$10 million in fiscal year 2009. A revised actuarial study is expected to be completed by the end of January, 2008.

***The second paragraph under “REVENUES OF THE STATE – General” on page A-25 of Appendix K hereto is deleted and replaced with the following:***

Revenues for December totaled \$241.2 million, under budget by \$11.7 million (4.6%). Year to date revenues are under budget by \$7.8 million (0.6%). Individual Income Tax was under budget by \$2.4 million (2.0%) for the month, and under budget \$2.2 million (0.4%) year to date. Withholdings were under budget \$5.1 million for the month (5.6%), and over budget \$3.5 million for the year (0.7%). Sales and Service Provider Taxes, combined, were under budget for the month \$1.5 million (1.9%) and \$681,000 (0.1%) under budget year to date. Corporate Tax revenues were \$1.3 million under budget (4.7%) for the month and \$1.6 million (2.0%) under for the year. Estate Taxes were under budget by \$1.1 million (28.8%) for the month and under budget \$3.8 million (25.3%) for the year. Tobacco Taxes are \$1.2 million (9.5%) under budget for the month, and \$1.2 million (1.4%) under year to date. Insurance Companies Tax was over budget \$49,000 for the month (102.6%) and \$1.6 million over budget (14.1%) for the year. Lottery income was below projections by \$420,000 (8.8%) for the month, and above projections by \$158,700 (0.6%) for the year. “Other Revenues” were under budget for the month by \$4.0 million (24.6 %) and under budget \$226,500 thousand (0.2%) year to date.

The foregoing revenue information has been prepared based on preliminary, unaudited month end figures and is subject to change. The budgeted amounts have been updated to reflect the most current projections from the Revenue Forecasting Committee December, 2007 report. For additional information, see Appendix C hereto.

*The following is inserted on page A-27 of Appendix K hereto immediately prior to “CERTAIN PUBLIC INSTRUMENTALITIES.”*

### **State Investment Pool**

As described above under the heading “Governmental Organization – Executive Branch – Treasurer of State,” when there is excess money in the State Treasury that is not needed to meet current obligations, the Treasurer of State may, with the concurrence of the State controller or the Commissioner of Administrative and Financial Services and with the consent of the Governor, invest those amounts in certain instruments authorized by State law. The Treasurer of State maintains the records of the investments of the State through the State investment pool. The average daily balance of the State investment pool totaled more than \$675,000,000 in fiscal year 2007. The balance of the State investment pool as of January 1, 2008 was approximately \$660,000,000, although approximately \$20,000,000 of this is in the non-performing commercial paper investment described below.

On August 8, 2007, \$19,930,361.11 was invested in Mainsail II Commercial Paper (the “Mainsail Commercial Paper”) issued by Mainsail Limited, an affiliate of Solent Capital Partners, LLP (“Mainsail”). The Mainsail Commercial Paper was rated A1+ and P1 by Standard & Poor’s and Moody’s, respectively, and bore interest at 5.45% with a maturity of August 31, 2007. This investment was made in accordance with State law and State investment pool policies and practices under which the maximum investment allowed in any single issuer of commercial paper is \$20,000,000 and ratings of A1 and P1 or better are required.

On August 20, 2007, Mainsail announced in a press release that it might be forced to sell assets because it had been unable to raise short-term funding due to market volatility. On August 22, 2007, the Treasurer of State ceased investing in asset backed commercial paper. On August 31, 2007, the date of maturity of the Mainsail Commercial Paper, the approximate \$20,000,000 payment of principal and accrued interest due to the State from Mainsail was not made. As of January 1, 2008, the State investment pool’s only commercial paper holding was \$1,750,000 of CIESCO commercial paper with a maturity date of February 8, 2008. The state is currently not purchasing commercial paper.

On November 26, 2007, Bank of New York, the investors' trustee in Mainsail, was reported to have appointed investment bank Houlihan Lokey Howard & Zukin to find buyers for the Mainsail underlying assets. The State does not expect the default by Mainsail to adversely affect the State's ability to meet all of its obligations when due.

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**APPENDIX C**  
**CERTAIN REVENUES OF THE STATE**

Undedicated Revenues, General Fund, Year Ended June 30, 2007.....	C-2
Undedicated Revenues, General Fund, Six Months Ended December 31, 2007.....	C-3
Highway Fund Revenues, Year Ended June 30, 2007.....	C-4
Highway Fund Revenues, Six Months Ended December 31, 2007.....	C-5

**STATE OF MAINE  
UNDEDICATED REVENUES  
GENERAL FUND**

**TWELVE MONTHS ENDED JUNE 30, 2007**

	<b>Month</b>				<b>Year to Date</b>			
	<b>Actual</b>	<b>Budget</b>	<b>Variance Over/(under)</b>	<b>Percent Over/(under)</b>	<b>Actual</b>	<b>Budget</b>	<b>Variance Over/(under)</b>	<b>Percent Over/(under)</b>
Sales and Use Tax	\$175,994,519	\$172,822,029	\$3,172,490	1.8%	\$971,455,721	\$974,740,367	\$(3,284,646)	(0.3)%
Service Provider Tax	8,458,522	8,472,167	(13,645)	(0.2)%	49,400,532	48,911,765	488,767	1.0%
Individual Income Tax	184,557,871	174,703,431	9,854,440	5.6%	1,353,934,495	1,347,619,508	6,314,987	0.5%
Corporate Income Tax	43,657,636	31,998,947	11,658,689	36.4%	183,851,533	172,078,755	11,772,778	6.8%
Cigarette and Tobacco Tax	13,870,933	14,068,096	(197,163)	(1.4)%	158,953,466	158,502,981	450,485	0.3%
Public Utilities Tax	-	-	-	-	16,317,029	16,891,746	(574,717)	(3.4)%
Insurance Companies Tax	24,230,464	25,876,960	(1,646,496)	(6.4)%	74,452,542	76,336,389	(1,883,847)	(2.5)%
Estate Tax	8,565,760	9,071,874	(506,114)	(5.6)%	54,820,038	55,465,498	(645,460)	(1.2)%
Property Tax - Unorg Territory	972,918	1,446,684	(473,766)	(32.7)%	11,376,293	11,597,312	(221,019)	(1.9)%
Income from Investments	632,836	645,467	(12,631)	(2.0)%	1,215,836	1,517,319	(301,483)	(19.9)%
Transfer to Municipal Revenue Sharing	(21,046,096)	(19,787,822)	(1,258,274)	(6.4)%	(130,490,756)	(129,710,869)	(779,887)	(0.6)%
Transfer from Lottery Commission	4,507,956	4,748,329	(240,373)	(5.1)%	50,624,741	50,334,250	290,491	0.6%
Other Revenues	34,340,549	33,507,949	832,600	2.5%	223,683,920	220,713,733	2,970,187	1.3%
Total Collected	<u>\$478,743,868</u>	<u>\$457,574,111</u>	<u>\$21,169,757</u>	<u>4.6 %</u>	<u>\$3,019,595,390</u>	<u>\$3,004,998,754</u>	<u>\$14,596,636</u>	<u>0.5%</u>

- NOTES:**
- (1) Included in the above is \$21,046,096 for the month and \$130,490,756 year to date, that was set aside for Revenue Sharing with cities and towns. Of this, \$26,754,358 was transferred to the Disproportionate Tax Burden Fund
  - (2) Figures reflect estimates of the Maine State Revenue Forecasting Committee approved in May 2007.
  - (3) This report has been prepared from preliminary month end figures and is subject to change.

**STATE OF MAINE  
UNDEDICATED REVENUES  
GENERAL FUND  
SIX MONTHS ENDED DECEMBER 31, 2007**

	Month				Year to Date			
	Actual	Budget	Variance Over/(under)	Percent Over/(under)	Actual	Budget	Variance Over/(under)	Percent Over/(under)
Sales and Use Tax	\$73,620,901	\$ 75,210,728	\$(1,589,827)	(2.1)%	\$ 439,204,185	\$ 440,794,012	\$(1,589,827)	(0.4)%
Service Provider Tax	4,183,203	4,063,950	119,253	2.9%	21,604,611	20,695,739	908,872	4.4%
Individual Income Tax	117,467,085	119,896,741	(2,429,656)	(2.0)%	579,986,709	582,214,328	(2,227,619)	(0.4)%
Corporate Income Tax	26,768,846	28,100,000	(1,331,154)	(4.7)%	78,002,375	79,600,000	(1,597,625)	(2.0)%
Cigarette and Tobacco Tax	10,976,872	12,128,076	(1,151,204)	(9.5)%	78,417,298	79,568,502	(1,151,204)	(1.4)%
Public Utilities Tax	-	-	-	-	347,980	-	347,980	-
Insurance Companies Tax	1,245	(47,879)	49,124	102.6%	13,440,704	11,780,241	1,660,463	14.1%
Estate Tax	2,707,184	3,800,000	(1,092,816)	(28.8)%	11,136,044	14,900,000	(3,763,956)	(25.3)%
Property Tax - Unorg Territory	-	-	-	-	10,238,664	10,403,375	(164,711)	(1.6)%
Income from Investments	219,131	400,000	(180,869)	(45.2)%	1,938,031	2,100,000	(161,969)	(7.7)%
Transfer to Municipal Revenue Sharing	(11,324,042)	(11,641,841)	317,799	2.7%	(57,058,692)	(57,043,708)	(14,984)	0.0%
Transfer from Lottery Commission	4,371,678	4,791,762	(420,084)	(8.8)%	25,075,848	24,917,124	158,724	0.6%
Other Revenues	12,194,144	16,168,862	(3,974,718)	(24.6)%	91,495,341	91,721,838	(226,497)	(0.2)%
Total Collected	<u>\$241,186,247</u>	<u>\$252,870,399</u>	<u>\$ (11,684,152)</u>	<u>(4.6)%</u>	<u>\$1,293,829,098</u>	<u>\$1,301,651,451</u>	<u>\$ (7,822,353)</u>	<u>(0.6)%</u>

**NOTES:**

- (1) Included in the above is \$11,324,042 for the month and \$57,058,692 year to date that was set aside for Revenue Sharing with cities and towns.
- (2) Figures reflect estimates of the Maine State Revenue Forecasting Committee approved in November, 2007.
- (3) This report has been prepared from preliminary month end figures and is subject to change.

**STATE OF MAINE  
HIGHWAY FUND  
REVENUES  
TWELVE MONTHS ENDED JUNE 30, 2007**

	Month				Year to Date			
	Actual	Budget	Variance Over/(under)	Percent	Actual	Budget	Variance Over/(under)	Percent
Fuel Taxes	\$42,112,101	\$41,458,505	\$653,596	1.6%	\$226,824,018	\$227,484,941	\$(660,923)	(0.3)%
Motor Vehicle Registration & Fees	10,505,943	9,038,912	1,467,031	16.2%	87,291,874	86,476,317	815,557	0.9%
Inspection Fees	395,714	401,975	(6,261)	(1.6)%	4,342,519	4,379,756	(37,237)	(0.9)%
Fines, Forfeits & Penalties	132,048	183,847	(51,799)	(28.2)%	1,668,000	2,018,239	(350,239)	(17.4)%
Earnings on Investments	279,200	58,357	220,843	378.4%	1,105,987	795,000	310,987	39.1%
All Other	<u>763,126</u>	<u>661,110</u>	<u>102,016</u>	<u>15.4%</u>	<u>9,588,686</u>	<u>9,603,076</u>	<u>(14,390)</u>	<u>(0.1)%</u>
Total Revenue	<u>\$54,188,132</u>	<u>\$51,802,706</u>	<u>\$2,385,426</u>	<u>4.6%</u>	<u>\$330,821,084</u>	<u>\$330,757,329</u>	<u>\$63,755</u>	<u>0.0)</u>

NOTE: This report has been prepared from preliminary month end figures and is subject to change.

**STATE OF MAINE  
HIGHWAY FUND  
REVENUES  
SIX MONTHS ENDED DECEMBER 31, 2007**

	Month				Year to Date			
	Actual	Budget	Variance Over/(under)	Percent	Actual	Budget	Variance Over/(under)	Percent
Fuel Taxes	\$19,983,950	\$19,005,698	\$978,252	5.1 %	\$98,358,208	\$97,379,956	\$978,252	1.0%
Motor Vehicle Registration & Fees	5,802,986	6,805,877	(1,002,891)	(14.7)%	39,760,035	41,241,850	(1,481,815)	(3.6)%
Inspection Fees	780,153	611,675	168,478	27.5%	2,440,301	2,589,063	(148,762)	(5.7)%
Fines, Forfeits & Penalties	168,657	159,534	9,123	5.7%	908,209	1,000,808	(92,599)	(9.3)%
Earnings on Investments	139,649	50,000	89,649	179.3%	754,602	640,000	114,602	17.9%
All Other	<u>566,559</u>	<u>614,458</u>	<u>(47,899)</u>	<u>(7.8)%</u>	<u>5,907,928</u>	<u>5,735,933</u>	<u>171,995</u>	<u>3.0%</u>
Total Revenue	<u>\$27,441,954</u>	<u>\$27,247,242</u>	<u>\$194,712</u>	<u>0.7%</u>	<u>\$148,129,283</u>	<u>\$148,587,610</u>	<u>\$(458,327)</u>	<u>(0.3)%</u>

NOTES:

(1) This report has been prepared from preliminary month end figures and is subject to change.

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## **APPENDIX D**

### **SELECTED INFORMATION REGARDING AUTHORIZED AND UNISSUED DEBT OF THE STATE**

*Pages D-2 through D-7 of Appendix K hereto are deleted and replaced with the nine pages which follow this page. The first six of such following pages set forth the purposes for which authorized expenditures may be made, the expending department or agency, the authorizing acts and the balances of authorized expenditures after giving effect to the issuance of the Notes.*





**GENERAL FUND BONDS<sup>1</sup>**  
**Debt Service Requirements to Maturity**  
**June 30, 2007**

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2008	\$ 66,230,000.00	\$16,057,428.46	\$ 82,287,428.46
2009	61,030,000.00	13,334,455.48	74,364,455.48
2010	56,915,000.00	10,684,221.72	67,599,221.72
2011	51,550,000.00	8,166,715.47	59,716,715.47
2012	49,445,000.00	6,132,064.46	55,577,064.46
2013	46,685,000.00	4,219,927.46	50,904,927.46
2014	30,460,000.00	2,423,911.46	32,883,911.46
2015	23,940,000.00	1,285,353.28	25,225,353.28
2016	8,630,000.00	533,479.60	9,163,479.60
2017 (Final Maturity)	<u>3,395,000.00</u>	<u>146,715.80</u>	<u>3,541,715.80</u>
<b>TOTAL</b>	<u><b>\$398,280,000.00</b></u>	<u><b>\$62,984,273.19</b></u>	<u><b>\$461,264,273.19</b></u>

**HIGHWAY FUND BONDS<sup>2</sup>**  
**Debt Service Requirements to Maturity**  
**June 30, 2007**

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2008	\$10,750,000.00	\$2,050,995.01	\$12,800,995.01
2009	7,750,000.00	1,610,616.26	9,360,616.26
2010	6,065,000.00	1,275,291.26	7,340,291.26
2011	6,070,000.00	1,035,481.88	7,105,481.88
2012	4,150,000.00	782,693.75	4,932,693.75
2013	4,150,000.00	617,600.00	4,767,600.00
2014	3,425,000.00	451,600.00	3,876,600.00
2015	2,700,000.00	329,100.00	3,029,100.00
2016	2,700,000.00	216,000.00	2,916,000.00
2017 (Final Maturity)	<u>2,700,000.00</u>	<u>108,000.00</u>	<u>2,808,000.00</u>
<b>TOTAL</b>	<u><b>\$50,460,000.00</b></u>	<u><b>\$8,477,378.16</b></u>	<u><b>\$58,937,378.16</b></u>

<sup>1</sup> General Fund Bonds are expected to be paid from amounts in the General Fund. For a description of the General Fund, see "Fiscal Management - The Accounting System" herein.

<sup>2</sup> Highway Fund Bonds are expected to be paid from amounts in the Highway Fund. For a description of the Highway Fund, see "Fiscal Management - The Accounting System" herein.

**SELF-LIQUIDATING BONDS<sup>1</sup>**  
**Debt Service Requirements to Maturity**  
**June 30, 2007**

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
2008 (Final Maturity)	<u>\$20,000.00</u>	<u>\$750.00</u>	<u>\$20,750.00</u>
<b>TOTAL</b>	<u><b>\$20,000.00</b></u>	<u><b>\$750.00</b></u>	<u><b>\$20,750.00</b></u>

<sup>1</sup> Self-liquidating bonds are expected to be paid from fees and charges to be paid by users of the public facilities financed with the proceeds of such bonds.

**INFORMATION REGARDING LEASE FINANCING AGREEMENTS**

<u>Agency</u>	<u>Date of Agreement</u>	<u>Original Principal Amount</u>	<u>Principal Amount Outstanding 12/31/07</u>	<u>Principal &amp; Interest Due 1/1 – 6/30/08</u>
Department of Transportation	May, 2002	\$ 5,000,000	\$ 2,465,000	\$ 52,994
Department of Transportation	May, 2002	2,000,000	315,000	6,300
Secretary of State	June, 2003	6,500,000	1,385,000	1,412,700
Department of Transportation	December, 2003	793,200	359,239	76,052
Department of Education	December, 2003	2,335,000	960,000	489,168
Administrative & Financial Services	March, 2004	3,000,000	770,000	780,588
Public Safety	February, 2005	1,300,000	225,655	229,389
Department of Corrections	March, 2005	1,200,000	633,021	135,191
Administrative & Financial Services	April, 2005	2,900,000	1,133,977	391,061
Department of Transportation	May, 2005	1,200,000	588,445	140,176
Department of Transportation	June, 2005	300,000	52,256	53,197
Administrative & Financial Services	April, 2006	4,100,000	3,105,912	1,077,933
Department of Transportation	September, 2005	2,000,000	1,091,438	257,609
Administrative & Financial Services	October, 2005	9,200,000	8,120,452	1,712,585
Public Safety	April, 2006	1,800,000	1,212,104	624,706
Administrative & Financial Services	July, 2006	10,000,000	8,531,364	1,652,727
Department of Corrections	August, 2006	3,600,000	3,040,289	0
Department of Education	September, 2006	19,226,266	12,339,759	2,652,660
Department of Education	September, 2006	52,428	32,610	7,225
Administrative & Financial Services	February, 2007	14,000,000	13,041,949	1,227,589
Administrative & Financial Services	February, 2007	800,000	518,878	0
Public Safety	March, 2007	1,300,000	1,090,477	231,564
Department of Transportation	March, 2007	2,500,000	2,201,507	340,159
Administrative & Financial Services	April, 2007	4,500,000	3,975,706	614,294
Department of Education	August, 2007	4,618,993	4,040,965	638,719
Department of Education	October, 2007	139,414	121,987	17,827
<b>TOTALS:</b>		<u><b>\$104,365,301</b></u>	<u><b>\$71,352,990</b></u>	<u><b>\$14,822,413</b></u>

## Debt Ratios

The following table sets forth certain ratios relating to the State's general obligation debt and certain lease financing agreements as of June 30, 2007.

	<u>Amount of Debt</u>	<u>Per Capita (1)</u>	<u>Debt to Estimated Full Valuation (2)</u>	<u>Debt to Personal Income (3)</u>
General Fund	\$398,280,000	\$301.37	0.27%	0.93%
Highways & Bridges	50,460,000	38.18	0.03	0.12
Self-liquidating	<u>20,000</u>	<u>0.02</u>	<u>0.00</u>	<u>0.00</u>
Total	<u>\$448,760,000</u>	<u>\$339.57</u>	<u>0.30%</u>	<u>1.05%</u>

- (1) Based on population estimate of 1,321,574 for 2006 by the U.S. Department of Commerce, Bureau of the Census.
- (2) Based on assessed property valuation at full value by the Maine Revenue Services as of January 2007 of \$148,946,200,000.
- (3) Based on State of Maine total personal income reported by the U.S. Department of Commerce for 2006, second quarter annualized, of \$42,749,735,000.

## Debt Ratio Statistics

### June 30, 2007

Debt to Full Value	
1997.....	0.67%
2007.....	0.30%
Debt to Personal Income	
1997.....	1.82%
2007.....	1.05%
Per Capita Debt	
1997.....	\$378.19
2007.....	\$339.57

*The table entitled “DEBT SERVICE PAID OVER PAST TEN FISCAL YEARS” at the top of page D-8 of Appendix K hereto is deleted and replaced with the following:*

**DEBT SERVICE PAID OVER PAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>General Fund Principal</b>	<b>General Fund Interest</b>	<b>Highway Fund Principal</b>	<b>Highway Fund Interest</b>	<b>Total Principal</b>	<b>Total Interest</b>
1998	\$ 56,545,600	\$ 18,035,896	\$ 19,880,000	\$ 7,075,196	\$ 76,425,600	\$ 25,111,092
1999	57,235,000	17,716,780	22,380,000	7,305,133	79,615,000	25,021,913
2000	59,810,000	17,497,114	22,470,000	6,862,012	82,280,000	24,359,126
2001	65,850,000	18,082,743	21,820,000	5,619,484	87,670,000	23,702,227
2002	64,225,000	15,444,189	23,300,000	5,299,529	87,525,000	20,743,718
2003	63,880,000	12,941,300	21,215,000	4,003,828	85,095,000	16,945,128
2004	56,240,000	12,567,264	16,015,000	3,022,015	72,255,000	15,589,279
2005	53,440,000	12,525,813	13,280,000	2,477,535	66,720,000	15,003,348
2006	57,915,000	15,253,937	13,950,000	2,007,306	71,865,000	17,261,243
2007	69,280,000	17,364,513	10,415,000	1,387,084	79,695,000	18,751,597

## APPENDIX G

### PROPOSED FORM OF BOND COUNSEL OPINION

Upon delivery of the Notes, Edwards Angell Palmer & Dodge LLP, as Bond Counsel, proposes to issue its approving opinion as to the Notes in substantially the following form:

**EDWARDS ANGELL PALMER & DODGE** LLP

111 Huntington Avenue Boston, MA 02199 617.239.0100 fax 617.227.4420 eapdlaw.com

[Date of Delivery]

The Honorable David G. Lemoine  
Treasurer of State  
The State of Maine  
39 State House Station  
Augusta, Maine 04333

\$16,750,000  
State of Maine  
General Obligation Bond Anticipation Notes  
Dated Date of Delivery

We have acted as bond counsel to the State of Maine in connection with the issuance by the State of Maine of the above-referenced notes (the “Notes”). In such capacity, we have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion we have relied upon representations and covenants of the State of Maine contained in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on our examination, we are of the opinion, under existing law, as follows:

1. The Notes are valid and binding general obligations of the State of Maine and the full faith and credit of the State of Maine are pledged for the payment of the principal of and interest on the Notes.

2. Interest on the Notes is excluded from the gross income of the owners of the Notes for federal income tax purposes. In addition, interest on the Notes is not a specific

preference item for purposes of the federal individual or corporate alternative minimum taxes. However, such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. In rendering the opinions set forth in this paragraph, we have assumed compliance by the State of Maine with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Notes in order that interest thereon be, and continue to be, excluded from gross income for federal income tax purposes. The State of Maine has covenanted to comply with all such requirements. Failure by the State of Maine to comply with certain of such requirements may cause interest on the Notes to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Notes.

3. Interest on the Notes is excluded from gross income for State of Maine income tax purposes. We express no opinion regarding any other State of Maine tax consequences arising with respect to the Notes or any tax consequences arising with respect to the Notes under the laws of any state other than the State of Maine.

This opinion is expressed as of the date hereof, and we neither assume nor undertake any obligation to update, revise, supplement or restate this opinion to reflect any action taken or omitted, or any facts or circumstances or changes in law or in the interpretation thereof, that may hereafter arise or occur, or for any other reason.

The rights of the holders of the Notes and the enforceability of the Notes may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Edwards Angell Palmer & Dodge LLP

## **APPENDIX H**

### **THE DEPOSITORY TRUST COMPANY**

The Depository Trust Company (“DTC”), New York, NY will act as securities depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Note certificate will be issued in the aggregate principal amount thereof and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of the Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC’s records. The ownership interest of each actual purchaser of each Note (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions and defaults. For example, Beneficial Owners of the Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an omnibus proxy to the State as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the omnibus proxy).

Principal, interest and redemption payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the State on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, or the State, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the State, and disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the State. Under such circumstances, in the event that a successor depository is not obtained, Notes certificates are required to be printed and delivered.

The State may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Notes certificates will be printed and delivered.



The information in this Appendix H concerning DTC and DTC's book-entry system has been obtained from sources that the State believes to be reliable, but the State takes no responsibility for the accuracy thereof.

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## **APPENDIX I**

### **SECONDARY MARKET DISCLOSURE**

Pursuant to the Municipal Securities Disclosure Rule, 17 CFR §240.15c2-12 (the “Rule”), promulgated by the Securities and Exchange Commission (the “SEC”), the Underwriter shall not purchase or sell the Notes unless the Underwriter has reasonably determined that the State, as issuer of the Notes, has undertaken in a written agreement or contract for the benefit of the holders of the Notes to provide certain information in the manner and to the locations described below. In order to assist the Underwriter in complying with the Rule, the State has covenanted in the Notes for the benefit of the Beneficial Owners that the State will provide, in a timely manner, to each nationally recognized municipal securities information repository (“NRMSIR”) and to any state information depository (“SID”), notice of any of the following events with respect to the Notes, if material:

1. principal and interest payment delinquencies;
2. non-payment related defaults;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions or events affecting the tax-exempt status of the Notes;
7. modifications to rights of the holders (including Beneficial Owners) of the Notes;
8. bond calls;
9. defeasances;
10. release, substitution, or sale of property securing repayment of the Notes; and
11. rating changes.

In a letter from the staff of the SEC to the National Association of Bond Lawyers, dated September 19, 1995, the SEC staff stated that undertakings pursuant to the Rule may not eliminate references to events 1 through 11 set forth in the Rule and in the paragraph above, regardless of whether any particular event is believed to be applicable to the Notes. Certain of events 1 through 11 set forth in the paragraph above may not, however, be applicable. Events 3, 4 and 5 may not be applicable, since the terms of the Notes do not provide for “debt service reserves,” “credit enhancements” or “credit or liquidity providers.” For a description of the Notes, see “Description of the Notes.” With respect to events 4 and 5, the State does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the Notes, unless the State applies for or participates in obtaining the enhancement. With respect to event 6, for information on the tax status of the Notes, see “Tax Matters.” Event 8 may not be applicable since the Notes do not provide for redemption prior to maturity. Event 10 may not be applicable since the State has not granted any security interest to secure repayment of the Notes.

As of the date hereof, there is no SID.

The State may from time to time choose to provide notice of the occurrence of certain other events in addition to those listed above if, in the judgment of the State, such other events are material with respect to the Notes, but the State does not undertake to provide any such notice of the occurrence of any material event except those events listed above.

The covenants described herein under the heading “Secondary Market Disclosure” (the “Covenants”) are for the benefit of the Beneficial Owners and shall be enforceable by any Beneficial Owner. No Beneficial Owner may institute any suit, action or proceeding at law or in equity (“Proceeding”) for the enforcement of the Covenants, unless such Beneficial Owner shall have filed with the Treasurer of State and the Attorney General a written request to cure such breach, and the State shall have refused or failed to comply within a reasonable time. Any assertion of beneficial ownership must be included in such written request and must be supported by independent evidence or documents. All Proceedings shall be instituted only in a State court located in the City of Augusta, Maine for the equal benefit of all Beneficial Owners of the outstanding Notes. If a court of competent jurisdiction finds that the State has breached any of the Covenants, then the sole remedy for any such breach shall be an order of specific performance of the Covenants and there shall be no right of acceleration of the Notes. Moreover, Proceedings filed by Beneficial Owners against the State may be subject to the defense of sovereign immunity which may substantially limit the scope and nature of any legal action against the State or of any order of specific performance that may be granted against the State.

**APPENDIX K**

**OFFICIAL STATEMENT DATED MAY 23, 2007  
RELATING TO ISSUANCE OF**

**\$60,975,000  
GENERAL OBLIGATION BONDS  
OF THE STATE OF MAINE**

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